

Message Text

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DRAFTED BY ARA/NC:TWSNANDRES:JR

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

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E.O. 11652:N/A

TAGS:BDIS, VE, US

SUBJECT: VEN FUEL TAX STATUS - US CUSTOMS REQUEST

REF: (A) CARACAS 6788; (B) CARACAS 7262

1. REFTELS AND CONVERSATIONS IN DEPARTMENT WITH PETROLEUM ATTACHE GRAHAM SUGGEST THAT USG INFORMAL ENDEAVORS TO OBTAIN REQUESTED INFORMATION ON VEN FUEL CASE MAY NOW HAVE HIT A GOV STONEWALL, WITH PROSPECTS OF ANY CHANGE IN THIS SITUATION MINIMAL IN THE NATIONALIZATION-DOMINATED MONTHS AHEAD. U.S. CUSTOMS, HOWEVER, AND SPECIAL ASSISTANT U.S. ATTORNEY ARE AIMING AT A RAPID TERMINATION OF INVESTIGATION AND HAVE PROVIDED DEPARTMENT WITH DETAILED LIST OF REMAINING QUESTIONS REQUIRING GOV RESPONSE. DEPARTMENT THEREFORE BELIEVES THAT BEST COURSE OF ACTION WOULD BE TO PRESENT GOV WITH FORMAL NOTE IN NEAR FUTURE OFFICIALLY TASKING IT WITH THE US CUSTOMS REQUEST. IN LINE WITH RECENT RECOMMENDATION OF PETROLEUM ATTACHE GRAHAM, DEPARTMENT AND CUSTOMS PREPARED AWAIT EMBASSY VIEWS UNTIL MR. GRAHAM RETURNS

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TO POST ON OR ABOUT AUGUST 17.

2. WE PROPOSE THAT SUBSTANCE OF NOTE READ QUOTE THE GOVERNMENT OF THE UNITED STATES RESPECTFULLY REQUESTS THE COOPERATION OF THE GOVERNMENT OF THE REPUBLIC OF VENEZUELA IN RESPONDING TO THE QUESTIONS IN THE ATTACHMENT WHICH ARE TO ASSIST IN COMPLETING THE INVESTIGATIVE PHASE OF THE INQUIRY OF THE UNITED STATES GOVERNMENT INTO ALLEGATIONS OF VIOLATIONS OF UNITED STATES LAW INVOLVING THE JACKSON-VILLE FLORIDA ELECTRIC AUTHORITY AND THE COMPANY VEN FUEL. END QUOTE.

3. EIGHT PARAGRAPHS OF INQUIRY, WHICH WE PROPOSE BE SUBMITTED AS ATTACHMENT TO NOTE, READ: QUOTE

(PARAGRAPH ONE) ARE HOST GOVERNMENT TAXES IMPOSED AND PAID EQUALLY BY ALL OIL COMPANIES E.G. DOES CVP PAY THE SAME TAXES AS CSV? IF THE SAME AT PRESENT, WERE THEY EVER DIFFERENT? IF SO, PLEASE FURNISH DETAILS.

(TWO) IF FOREIGN RESIDUAL FUEL OIL WERE IMPORTED INTO VENEZUELA FOR BLENDING PURPOSES, WOULD THE VENEZUELAN GOVERNMENT IMPOSE ITS HGT ON THE WHOLE BLENDED MIXTURE OF VENEZUELAN AND FOREIGN OIL, OR ONLY ON THAT PART WHICH WAS ACCOUNTED FOR BY VENEZUELAN OIL? IF THE FOREIGN RESIDUAL FUEL OIL WERE NOT BLENDED, BUT RATHER EXPORTED IN THE SAME FORM AS IMPORTED, WOULD ANY VENEZUELAN HGT BE PAYABLE?

(THREE) DOES VENEZUELA IMPOSE ANY DUTY ON FOREIGN RESIDUAL FUEL OIL IMPORTED FOR BLENDING PURPOSES? WOULD IMPOSITION OF DUTY DEPEND ON WHETHER CVP OR A NON-GOVERNMENT COMPANY SUCH AS CSV IMPORTED THE OIL INTO THE COUNTRY?

(FOUR) SUPPOSE VENEZUELAN RESIDUAL FUEL OIL HAVING A SULFUR CONTENT OF 1.60 PER CENT WERE LOADED ON A TANKER AT ONE PORT AND AN EQUAL AMOUNT OF VENEZUELAN RESIDUAL FUEL OIL HAVING A SULFUR CONTENT OF 2.00 PER CENT WERE LOADED ON THE SAME TANKER EITHER FROM ANOTHER TANK IN THE SAME PORT OR FROM A TANK IN ANOTHER PORT, WOULD THE WHOLE BLEND BE TAXED AS IF IT WERE 1.80 PER CENT SULFUR (I.E. LIMITED OFFICIAL USE

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AT THE 1.51 PER CENT TO 1.90 PER CENT RATE), OR WOULD HALF THE BLEND BE TAXED AS IF IT WERE 1.60 PER CENT AND HALF AS IF IT WERE 2.00 PER CENT? DOES IT MAKE ANY DIFFERENCE WHETHER THE OIL WAS LADEN FROM DIFFERENT PORTS RATHER THAN FROM SEPARATE TANKS IN THE SAME PORT? DOES IT MAKE ANY DIFFERENCE WHETHER THE RESPECTIVE OILS WERE LOADED INTO SEPARATE TANKS ON THE SHIP OR WERE BLENDED IN THE COURSE OF LOADING?

(FIVE) WITH RESPECT TO THE EXPORTATION OF OIL AND OIL PRODUCTS, HOW IS THE EXPORTER OF RECORD DETERMINED UNDER VENEZUELAN LAW? WHAT ARE THE LEGAL CONSEQUENCES OF DESIGNATION AS EXPORTER OF RECORD?

(SIX) IS THERE OR HAS THERE EVER BEEN A DIFFERENCE IN THE IMPOSITION OF ROYALTIES WITH RESPECT TO VENEZUELAN OIL PURCHASED BY WHOLLY OWNED U.S. COMPANIES AND COMPANIES SUCH AS VEN FUEL/FUELCO WHICH ARE HALF OWNED BY VENEZUELAN STATE-OWNED COMPANIES? DID VEN FUEL/FUELCO OR CVP EVER OBTAIN A GOVERNMENT WAIVER OF ROYALTIES ON OIL EXPORTED BY CSV FOR THE ACCOUNT OF VEN FUEL/FUELCO? IF SO, PLEASE FURNISH DETAILS.

(SEVEN) ARE GOVERNMENT CONNECTED EXPORTERS OF RECORD SUCH AS CVP ACCORDED CERTAIN BENEFITS NOT ACCORDED NON-GOVERNMENT CONNECTED EXPORTERS OF RECORD SUCH AS CSV WITH RESPECT TO HGT PAID ON OIL EXPORTED FROM VENEZUELA? IF SUCH DIFFERENCES DO NOT PRESENTLY EXIST, HAVE THEY EVER EXISTED? IF SO, PLEASE FURNISH DETAILS.

(EIGHT) WITH RESPECT TO THE OCTOBER, 1974 RETROACTIVE INCOME TAX RATE INCREASE RELATING TO HYDROCARBONS AND HYDROCARBON DERIVATIVES, DID ALL OIL COMPANIES, INCLUDING CVP, HAVE TO PAY THE RETROACTIVE TAXES ON ALL SALES PRIOR TO ITS IMPOSITION? IF NOT, PLEASE FURNISH DETAILS. END QUOTE.

4. ACTION REQUESTED: APPRECIATE BY AUGUST 20 EMBASSY COMMENT ON ABOVE OUTLINED APPROACH AND TEXT. ONCE TEXT IS FINALIZED AND HAS CUSTOMS CONCURRENCE, DEPARTMENT WILL THEN INSTRUCT EMBASSY TO DELIVER NOTE TO FOREIGN LIMITED OFFICIAL USE

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